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TAGS: [PREL](#) [PGOV](#) [PARM](#) [UP](#)
SUBJECT: UKRAINE: SOMBER TYMOSHENKO DOWN ON ORANGE
PROSPECTS AMID OUR UKRAINE-REGIONS MACHINATIONS

REF: KIEV 1662

Classified By: Ambassador, reason 1.4 (b,d)

¶1. (C) Summary: A subdued PM-hopeful Yuliya Tymoshenko told Ambassador April 28 that the scant progress in Orange coalition talks in recent days was much less significant than Our Ukraine efforts with Party of Regions to form local coalitions across the country. News during the meeting that Our Ukraine, Regions, and the Chernovetsky bloc had just formed a majority in the Kiev municipal council made her point. Echoing Socialist negotiator Yosyp Vinsky (reftel), Tymoshenko said the ultimate coalition composition "all depended on Yushchenko." Her gut feeling was that President Yushchenko had not made up his mind but approved of the ongoing Our Ukraine-Regions local cooperation as a "vaccination," paving the way for a possible national coalition sometime in June. She alleged that Regions' Political Council Chair Mykola Azarov had met Yushchenko recently to suggest that Moscow would be amenable to a favorable policy package on gas, nuclear, and border issues in exchange for an Our Ukraine-Regions coalition. Up to 30 Our Ukraine MPs, led by Katerynychuk and Stretovych, were forming an internal opposition faction prepared to walk out of Our Ukraine if an alliance with Regions were consummated, she claimed. Comment: While Our Ukraine negotiator Zvarych was cautiously upbeat earlier April 28 (septel), as Vinsky had been April 27 (reftel), Tymoshenko was uniformly gray, exhibiting uncharacteristic slumped body language, and murmuring repeatedly, "I don't know what will happen." End summary.

A lady in pink in a gray mood

¶2. (C) In an April 28 meeting with Ambassador, DCM and PolOff, a downbeat Tymoshenko discounted the importance of the two coalition documents signed April 25 (reftel). The ongoing negotiations on a coalition document were moving ahead slowly and weakly, "without enthusiasm." It was a "nightmare" dealing with Our Ukraine; Zvarych would come one day and then be a no-show, Bezsmertny the next and again disappear. The parties had essentially agreed on technical issues, and the policy section was largely complete. But the absence of a national coalition agreement had opened the door to chaos in the provinces, where local party representatives were disoriented. Socialist leader Moroz, out of the hospital April 27, was trying to organize a meeting among Yushchenko, Tymoshenko, and himself; so far, there was no response from Yushchenko (note: Yushchenko was in Latvia April 28).

Our Ukraine and Regions form local coalitions

¶3. (C) The real action, Tymoshenko stressed, was now happening at the local level, where local alliances were

forming between Our Ukraine (OU) and Regions. As if on cue, her cell phone rang; a Tymoshenko Bloc (BYuT) representative on the Kiev municipal council informed her that Our Ukraine, Regions, and the Chernovetsky bloc had just formed a 65-person majority and elected the council leadership. This culminated a string of similar alliances in neighborhood district councils across Kiev in recent days, Tymoshenko claimed, except where BYuT had an outright majority and could elect its own chair. While outgoing OU Rada faction leader Martynenko was the formal OU leader in Kiev, OU insider Petro Poroshenko was the informal leader of the effort. OU, Regions, and Chernovetsky's bloc formally had only 46 seats, but they had bought the loyalties of others. BYuT council members had come under intense pressure to switch factions, she claimed, being offered \$100,000 as a carrot on the one hand and being threatened with a loss of business from the municipality as a stick on the other. Shaking her head, she said that OU had made a big mistake delivering Kiev into the hands of Regions.

14. (C) Ambassador noted that OU figures claimed they had offered BYuT the chance to form an alliance in the Kiev council but that BYuT had turned them down (septels). Tymoshenko replied that OU's terms were that of a grand coalition: OU, BYuT, and Regions. BYuT had refused, just as it refused to join a national coalition involving Regions. BYuT had countered with a proposal signed by Tymoshenko and Moroz to form a trilateral coalition, but OU had refused in return. The story was the same in the provinces, despite the joint instruction signed April 25 by Tymoshenko, Moroz and Bezsmertny; local branches of Our Ukraine were simply ignoring the document and moving ahead with Regions. (Note: At the oblast level, Our Ukraine and Regions have formed a coalition majority in the Zakarpattya council.)

KIEV 00001711 002 OF 003

Little progress nationally, as Our Ukraine delays

15. (C) The pressure on local BYuT council members mirrored that brought against deputy BYuT leader Turchynov and Rada deputy Kozhymyakin, continued Tymoshenko, who suggested that the legal machinations against the duo were connected to the RosUkrEnergo (RUE) controversy. BYuT had gone to court April 27 to prevent an order for taking Turchynov and Kozhymyakin into preliminary custody. Tymoshenko had not concluded whether Yushchenko had endorsed the gambit.

16. (C) Tymoshenko believed that Yushchenko either had not made up his mind about what coalition to form or was dragging Orange negotiations out before making a deal with Yanukovych/Regions. She subsumed the emerging OU/Regions local alliances as part of the second option, a type of vaccination shot to prepare the Ukrainian populace for an eventual national coalition, which she predicted could emerge as soon as June, if Yushchenko decided to go in that direction. Either way, OU was clearly pursuing delay tactics; they had suggested the Rada should open on the last day possible, May 27 (note: a Saturday. The Rada traditionally opens on a Tuesday).

17. (C) Asked for his views, Ambassador said that the uncertainty could continue for several months, since Yushchenko was under no obligation to dismiss the Rada in the absence of a coalition; he only had the prerogative to do so sixty days after the Rada convenes. Nodding her head, Tymoshenko said, "They are spitting on the Constitution and laws." Ambassador noted that Yushchenko's indecision could stem from his recognition that his leverage and influence would decline as soon as he made a decision on coalition formation. Tymoshenko stressed that Yushchenko only enjoyed that leverage because BYuT had categorically ruled out a coalition with Regions, even though Regions continued to reach out to BYuT, since they too were frustrated in trying to engage wishy-washy Our Ukraine and saw BYuT as a clearer,

more disciplined potential partner. When Ambassador suggested an alliance with Regions would pose a political danger for either OU or BYuT, Tymoshenko immediately responded, "Worse: it would be political death."

Regions quietly active

¶18. (C) Tymoshenko said that Regions Political Council Chair Azarov had been quietly active in recent days. He had visited several think tanks to impress upon them the advantages of an OU-Regions coalition for economic policy. Azarov had also met Yushchenko in an unpublicized meeting, in which Azarov had told Yushchenko -- not the other way around, she stressed -- that he (Yushchenko) should go to Moscow, work his contacts, and cut a grand deal in which Moscow would give Ukraine favorable terms on gas (stay at \$95 per thousand cubic meters), nuclear fuel, and border issues in exchange for an OU-Regions coalition.

Gas issue in play

¶19. (C) Regarding RUE and the gas deal, Tymoshenko suggested another reason for OU delaying tactics was to reduce the window for a new government to renegotiate the January 4 deal before winter. She predicted, however, that the information released April 27 identifying Dmytro Firtash, a known Mogilievich associate, as the primary listed Ukrainian shareholder in RUE would be just the beginning of additional revelations in coming days. Ambassador suggested that the position of RUE worsened by the day. A large, respected Western accounting firm had stopped working for them, worried about the sully of their reputation; even Austria's Raffeisen Bank seemed to be seeking ways of cutting ties, and Firtash was clearly not the boss. Flashing her lone smile of the session, Tymoshenko replied, "Firtash is likely a 10-percent lieutenant."

¶10. (C) Ambassador stressed the mutual interest of Ukraine and the U.S. on the gas deal remained the same: Ukraine needed to escape from the RUE mechanism. Tymoshenko immediately added, "and open an investigation." Ambassador reiterated that getting free from RUE was most important. Tymoshenko nodded.

Future options for the Our Ukraine project

¶11. (C) Turning reflective, Tymoshenko said that, for his own good, Yushchenko needed to start thinking at least three

KIEV 00001711 003 OF 003

steps ahead. Recent developments, including the local romancing of Regions and Yushchenko's indecision, had led to the development of a potential opposition faction within Our Ukraine of at least 30 MPs, led by Stretovych and Katerynychuk, who would be ready to part company if a national coalition with Regions transpired. Another insider version she had heard in the aftermath of Yushchenko's April 19 blow-up at his Presidential Secretariat staff was that he was considering shutting down the Our Ukraine project because of its poor performance in the elections. In its place would be a new "For Yushchenko" bloc, to be led by his brother, Our Ukraine MP Petro Yushchenko. That too would be a mistake, mused Tymoshenko, since it would toss out a known brand and require starting from scratch.

¶12. (C) Comment: If Yushchenko were to endorse a coalition with Regions and a significant portion of Our Ukraine MPs were to rebel, Yushchenko might not have much choice but to start from scratch to support his expected run for re-election in 2009. Our Ukraine Chair Bezsmertny has told us he would similarly consider walking away from Our Ukraine. We will follow up with Stretovych and Katerynychuk in the coming days for their perspective.

¶13. (U) Visit Embassy Kiev's classified website at:
www.state.sgov.gov/p/eur/kiev.
Herbst